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FM AMEMBASSY HARARE

TO RUEHC/SECSTATE WASHDC 2554

RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE

RUEHUJA/AMEMBASSY ABUJA 1867

RUEHAR/AMEMBASSY ACCRA 1802

RUEHDS/AMEMBASSY ADDIS ABABA 1927

RUEHRL/AMEMBASSY BERLIN 0506

RUEHBY/AMEMBASSY CANBERRA 1204

RUEHDK/AMEMBASSY DAKAR 1561

RUEHKM/AMEMBASSY KAMPALA 1983

RUEHNR/AMEMBASSY NAIROBI 4414

RHEHAAA/NSC WASHDC

RHMFISS/EUCOM POLAD VAIHINGEN GE

RUEHGV/USMISSION GENEVA 1054

RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK

RHEFDIA/DIA WASHDC

UNCLAS SECTION 01 OF 04 HARARE 000184

SIPDIS

AF/S FOR S.HILL

ADDIS ABABA FOR USAU

ADDIS ABABA FOR ACSS

NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN

TREASURY FOR J.RALYEA AND T.RAND

STATE PASS TO USAID FOR L.DOBINNS AND E.LOKEN

COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A

TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [ZI](#)

SUBJECT: Zim Notes, March 7, 2008

¶1. The Embassy Harare Political/Economic Section began producing Zim Notes in July, 2007 to present a perspective on current events in Zimbabwe. Suggestions are always welcome. If you would like to receive Zim Notes by email, as well, please contact Frances Chisholm at chisholmfm@state.gov. Distribution is restricted to U.S. government employees.

¶2. Price Movements-Exchange Rate and Selected products:

Parallel rate for cash: ZW\$25million:US\$1; bank transfer rate jumped to: Z\$38-40million; official rate: ZW\$\$30,000:US\$1

Sugar soared to Z\$28million/2kg vs. controlled price of Z\$8million/2kg

Cooking oil climbed to Z\$38million/750ml vs. controlled price of Z\$9.3million/750ml

Petrol and diesel inched up to Z\$32million/liter vs. controlled price of Z\$60,000/liter

On the Political/Social Front

¶3. Makoni Launches Campaign... Simba Makoni launched his campaign at a rally in Bulawayo March 1, reportedly attended by about 10,000 people. At the rally, Dumisa Dabengwa, a ZANU-PF Politiburo member and former liberation fighter and lieutenant to Joshua Nkomo, became the first high-ranking ZANU-PF officials to defect publicly to Makoni. His move away from the ruling party threatens to destroy the Unity Accord signed by ZANU-PF and Nkomo's PF-ZAPU in 1987 that united the two liberation movements and ended a period of post-independence unrest. See Harare 175.

¶4. Mugabe Has Narrow Lead In Public Opinion Poll... A sampling of 1000 prospective voters in a poll conducted by the Mass Public Opinion Institute of Zimbabwe showed President Robert Mugabe with 30 percent support and challengers Morgan Tsvangirai and Simba Makoni with 28 percent and 12 percent respectively. Thirty percent

declined to indicate a preference. The poll was conducted between February 22 and 26 (before Dabengwa endorsed Makoni) and covered all provinces with the exception of Mashonaland Central. Accurate polling is difficult in Zimbabwe and Makoni's popularity may be understated in the survey. Again, see Harare 175.

¶15. Through The Looking Glass In Harare... On March 6, Foreign Minister Mumbengegwi briefed heads of mission from western countries on developments related to March 29 elections, beginning with the ZANU-PF decision in February 2007 to harmonize presidential, legislative and local elections, and extending up to the planned announcement of results. The Minister predicted that the Zimbabwe Election Commission would complete its tabulation swiftly and report results within 12-24 hours of the closing of polls. Mumbengegwi's remarks were a paean to Zimbabwean democracy:

Resident diplomats must be "the first to agree" that Zimbabwe is a "star performer" on human rights.

"No one can honestly argue that the political playing field is uneven."

The Mbeki process was a "complete success."

In Zimbabwe "we never, ever ambush the opposition."

"All the concerns expressed by the opposition have been addressed to their full satisfaction."

With Zimbabwe's electoral practices, "there is no chance of rigging."

"We always have peace and tranquility after our elections because the people have confidence in the process."

¶16. Stunned, the two dozen diplomats present did not join in when MFA staff applauded the Minister. The only question for him concerned the identity of foreign election observation missions invited by the Ministry; Mumbengegwi replied that 14 organizations

HARARE 00000184 002 OF 004

had been invited on the basis of reciprocity and impartiality; he ignored the request to identify them.

¶17. Election Observers: The Herald reported March 7 that all 13 SADC states have been invited to observe the election, along with Senegal, Algeria, Egypt, Kenya, Nigeria, Ghana, Libya, Uganda, Ethiopia and Sudan, plus China, India, Malaysia, Indonesia and Iran, Brazil, Jamaica, Venezuela and Nicaragua, the African Union, COMESA, NAM, ECOWAS, the Pan African Parliament, the Economic Community of Central African States and the East African Community. Among the invited sub-regional organizations are the ACP states, the Association of South East Asian Nations, MAGREB Union, Community of Portuguese Language Countries and the Inter-Governmental Authority on Development. The December 12 Movement is the only Liberation Movement invited. Diplomats accredited to Zimbabwe may also observe.

¶18. GOZ Press Goes on Attack...The government mouthpiece The Herald carried on Thursday and repeated Friday a series of full-page attacks on the MDC, Simba Makoni, and the U.S. and UK this week, portraying the opposition candidates as puppets of the West. One page carried a reproduction of a London Citigroup invitation to meet Makoni advisor Nkosana Moyo for a fundraising lunch. Another reproduced U.S. Executive Order 13288 extending targeted sanctions under the headline "SANCTIONS ARE REAL-In case you do not know, this is what George Bush did to your country only this Tuesday, 4th March 2008." The bottom of the page admonished "VOTE ZANU PF to punish and forever silence puppet sanctions-mongers." A third page referenced a possible UK ban on the Zimbabwean cricket team visiting England this summer: "They tell you sanctions are 'smart,' 'targeted' or even non-existent." Below pictures of four renowned Zimbabwean athletes (two white and two black), the text continues, "These sports people and ordinary Zimbabweans will tell you they are not." Again, the ad ends with a call to "VOTE ZANU PF to defeat puppets, Bush, Brown, and their sanctions."

¶19. State Broadcaster Says It's Ready To Provide Fair & Balanced Election Coverage... In radio and television news bulletins on March 6 that exclusively featured ZANU PF campaign rallies, Zimbabwe Broadcasting Corporation (ZBC) CEO Henry Muradzikwa said ZBC, the sole legal national public broadcaster, has a mandate to ensure that

all political players are given a platform to inform the electorate on their manifestos and other political programs, and ZBC will afford contesting candidates and parties equal and fair access to radio and television.

¶10. Simba Goes High Tech... Presidential contender Simba Makoni has established a website:
<http://www.simbamakoni.co.zw> or <http://www.smakoni.com>

¶11. More White Farmers To Join SADC Tribunal Challenge... A group of 70 white farmers will file a joint application at the Southern African Development Community (SADC) Tribunal in Windhoek challenging the seizure of their farms by the GOZ. The Tribunal ruled in December that the government should stop evicting William Campbell from his farm pending determination of the legality of Zimbabwe's fast-track land reform; the Tribunal is expected to hear Campbell's challenge on March 26. A ruling declaring land reform illegal would have far reaching consequences, opening the floodgates to thousands of damage claims by dispossessed white farmers. Furthermore, and as importantly, such a ruling would set a significant precedent, possibly triggering a spate of similar cases from other aggrieved farmers in the SADC region.

¶12. Zim Activist Scores Another Award... Amnesty International USA will honor Betty Makoni, director of Girl Child Network (GCN), with an award for her work as a defender of women and girls' rights. The former school teacher from the high-density Harare suburb of Chitungwiza has been an active and critical voice for the rights of

HARARE 00000184 003 OF 004

girls and young women in Zimbabwe - and around the world. Since its inception in 1998 as a club of nine high school girls, GCN has grown into a network of 500 girls' clubs in 49 of Zimbabwe's 58 districts that serves 30,000 girls, raises community awareness, and lobbies the government to protect the rights of the girl child. Makoni's courage and tenacity in the face of death threats, intimidation and arrests has helped dismantle the link between culture and violence against girls in Zimbabwe.

¶13. Diarrheal Disease On The Rise... Among the confirmed cholera figures presented at this week's Inter-Agency Standing Committee (IASC) Coordination Meeting on Health were 20 deaths and 162 cases alone in the Mudzi District of Mashonaland East near the Mozambique border. Ten further fatalities were reported in three other areas. Deteriorating sanitation conditions and inadequate supply of clean water are contributing significantly to the rise of diarrheal disease, and the formal healthcare system is, in many locations, unable to respond satisfactorily to the situation. USAID's Office of Foreign Disaster Assistance (OFDA) has supported prevention-focused water, sanitation, and hygiene initiatives throughout the country since late 2007, and contingency supplies from this program are now being deployed and utilized in several affected areas. A coordinated effort emerging from the IASC is responding adequately to the situation.

Economic and Business News

¶14. GOZ Report Confirms Maize Deficit... In a First Round Crop Assessment Report, a joint team from the Ministry of Agriculture, Operation Maguta, the Famine Early Warning Systems Network (FEWSNet), the Food and Agriculture Organization (FAO) and the Meteorological Office concluded that persistent rains, a general shortage of fertilizer, late planting, inadequate fuel supplies, low maize prices and late grain payments would all factor into a smaller crop than expected this year, forcing Zimbabwe, once again, to import food. Only 14% of the maize crop was planted early; 60% of the crop was planted by communal farmers and 3% by large-scale commercial farmers. The fertilizer industry supplied only 7% of the targeted amount of basal fertilizer needed and 10% of the required top dressing. Of the major crops, ground nuts appear to be having the best season with 50% more area planted than planned and the crop in generally fair to good condition. A follow-on assessment will calculate crop yield estimates.

¶15. German Printer Filling Soaring Demand For Banknotes... The Sunday Times of London reported that German printer Giesecke &

Devrient is supplying the GOZ with Z\$170 trillion/week worth of banknotes (about US\$7 million/week at the street rate), "bankrolling the regime," in the words of one local banker. See Harare 162.

¶16. *Nevertheless, Zim Dollar's Decline Slows... The pace of depreciation of the local currency on the parallel market slowed somewhat this week as cash shortages re-emerged. The demand for cash appears to be outstripping supply as inflation soared above 300,000% in February by some private sector estimates. The cash rate has held fairly steady for the last three days at around Z\$25 million:US\$, while the bank transfer rate fell more sharply from Z\$31 million:US\$ on Monday to Z\$38-40 million today, reflecting the growing cash shortage. In addition, the Reserve Bank of Zimbabwe (RBZ) appears to be less active in the market, adding to the decline in demand for foreign exchange.

¶17. Stock Market Soars... The Zimbabwe Stock Exchange scaled new heights this week with most counters registering significant gains, underpinned by surpluses on the money market, lack of profitable alternative investments, and rising inflation, given the prevailing high money supply growth. Market capitalization surpassed Z\$100 quadrillion (US\$2.5 billion) and the benchmark industrial index is up 310% since early January notwithstanding some recent profit taking.

HARARE 00000184 004 OF 004

¶18. Hotel Group To Expand... Leading local hotel group Zimsun Leisure with 22 hotels, lodges and casinos throughout Zimbabwe, announced plans to build three more hotels in Harare, a five-star hotel in Beitbridge and new hotels in Mutare and Nyanga. With its sights set on becoming Africa's biggest hotel operator, Zimsun is rebranding to the name Africasun. The tourism sector is widely believed to be best poised of all sectors for a fast turnaround "when things come right."

¶19. But, For Now, Zimbabwe Earns Low Ranking On Travel & Tourism Competitiveness Index... The World Economic Forum's Travel & Tourism Competitiveness Report 2008 ranked Zimbabwe 117th out of 130 countries reviewed. It ranked Zimbabwe at the absolute bottom of the heap in the availability of qualified labor, which we find exaggerated, and it placed the country favorably on price competitiveness, which we find odd in light of the industry's steep non-resident rates and highly unfavorable official exchange rate.

¶20. Barclays Expands Branches/Retail Customers... Barclays opened 11 new branches (buying 8 of the properties) in 2007 bringing the total number of branches to 38, and expects to continue expanding aggressively in 2008. Its retail customer base rose 54% in 2007 from 119,000 to 183,000. Analysts commented that the bank is poising itself to crank up earnings quickly "when the environment is conducive."

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